



**UNIVERSITY OF GOTHENBURG**  
**SCHOOL OF BUSINESS, ECONOMICS AND LAW**

# **Made in Sweden, again?**

*Factors influencing the decision to de-internationalise manufacturing production in medium sized Swedish firms*

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## **Abstract**

Twenty years ago, the trend amongst Swedish companies was to move their manufacturing production to low-cost labour countries, whilst in recent years there is a growing trend towards taking home manufacturing from abroad. The phenomenon occurring is referred to as de-internationalisation and is the reverse of internationalisation, which is a widely covered field. However, there are not many studies made in the de-internationalisation area, which was the aim of the thesis; to shed light over an important shift that is occurring. The thesis was conducted through a qualitative case study of four medium sized Swedish companies. Interviews were carried out among the companies to study the reasons behind their partial de-internationalisation of manufacturing production. By using the Uppsala Model, Eclectic Paradigm and a conceptual framework by Benito and Welch the purpose was to recognize the main factors influencing the decision to why firm de-internationalise. The results showed that a combination of external and internal factors affected the decision. However, the internal factors showed to be more influential than external ones. Common denominators were identified for the four companies; from those the conclusion drawn is that there is a growing importance for companies to have control over the whole production chain. When achieving this, it leads to several advantages for e.g. quality control, shorter lead times, lower transport costs and economies of scale. Considering the external factors it was concluded that home networks was of great importance when companies decided to de-internationalise manufacturing production. Absence of these networks would have obstructed the process considering start up costs, hard to access knowledge of the market, competition and available competence. The result of this thesis is a first step towards the understanding of why firms de-internationalise.

**Keywords: Sweden, Internationalisation, De-internationalisation, Production, Manufacturing**

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## **Definitions**

**Internationalisation**, the process a firm goes through when increasing involvement across national borders and in the international market

**De-internationalisation**, the process a firm goes through when decreasing involvement across national borders and in the international market

**Production**, the process of transforming inputs into outputs – finished goods

**Born global**, An organization that from its creation strive to compete on the global marketplace by using resources and sales in multiple countries

# 1. Introduction

## 1.1 Background

During the last decade, the world economy has gone through a change to a more open marketplace. There are no longer isolated nations as there were before due to trade barriers, differences in culture, language, distance and time zones. Thanks to the technology revolution the world is shrinking and globalisation is occurring (Hill 2009). Globalisation has contributed to the creation of a more intense economy and in turn the world's economies are the driving forces behind the process of globalisation (Ibid). Competition is no longer national but global and of a more volatile character. The companies in this environment are now given advantages that are rapidly created and eroded (D'Aveni 1994).

Globalisation has led to more firms taking their business to an international level, and consequently the field of internationalisation has been an important research topic these past decades. Studies have been conducted on why and how firms internationalise and the prerequisites to fulfil before doing so (Vernon 1966, Hymer 1976, Dunning 1977, Johnson & Vahlne 1977, Porter, Heckscher-Ohlin 1930). However, the aspects of the reversed process are neglected and in the field of study rather unexplored (Caves, 1995; Benito & Welch, 1997; Matthyssens & Pauwels, 200; Burt et.al., 2002). De-internationalisation is often associated with failure; the perception among consumers and competitors is negative towards the firms going through with this. They interpret the withdrawal as a result of poor performance or other market failure, based on those preconceptions firms tend to conceal these actions (Burt et.al., 2002). The consequences of this are that the information about how and why firms de-internationalise is very limited since most actual examples are hidden. In truth, de-internationalisation does not have to be associated with failure. For example, a firm can choose to de-internationalise on voluntary basis for reasons such as change of strategy leading towards more centralised production, change of main markets or other strategy changes making a de-internationalisation favourable (Ibid). Better conditions elsewhere such as cheaper labour, well educated workers, shorter lead times, tax reliefs or increased knowledge of the market leading to improvements for the firm can be motivators as well. They can also face involuntary de-internationalisation, which can be caused by low productivity or high competition (Mellahi 2003).

De-internationalization does not necessarily mean that companies take back their whole international presence and operations. More commonly, it occurs on a partial basis and can be of several forms such as reduction of operations in a given market or switching to operation modes that signifies a lower commitment level (Benito & Welch 1997). In some cases, partial de-internationalisation can occur in several aspects of a firm, while at the same time, the firm strengthens its overall international presence (Chetty 1999). Furthermore, de-internationalisation can be analysed from several dimensions based on which kind of operation the firms choose to reduce or fully take away. Such different analytical approaches can be of product, market, operational or production mode (Ibid). As there are not many studies conducted in the field of de-internationalisation, it is captivating to further investigate and study why firms choose to partially de-internationalise in the dimension of manufacturing production and which factors influences the decision to do so.

## **1.2 Problem Discussion**

Firms keeping their international presence but de-internationalising their production have different reasons to do so. Some of the reasons can be traced back to the firms' incentives of moving it abroad in the first place. According to Dicken (2011), the main factors contributing to the allocation of production abroad are cheaper labour, lower production costs, access to natural resources, trade barriers or closer proximity to customers. These requirements have previously been found in countries outside Sweden and has lead to a movement of production from Sweden, and from other Industrialised countries, to countries where these requirements are found. However, recently a growing trend has been noticed amongst Swedish companies to do the opposite. Swedish media describes several companies that have undergone a move of production back to Sweden, e.g Ostnor, Stiga Sports (Dagen Industri), Husqvarna, Atlas Copco (Veckans affärer), Akzo Nobel (Sydsvenskan), Scania Cabs, Eton och Yaskawa Motoman (Nyteknik) and Bola (Västnytt). All companies have gone through a partial de-internationalisation in the field of production and media has identified several common denominators influencing the firms decision to go through this shift. The most predominant ones are of rising production costs abroad versus more automation at home, quality problems, cultural differences, higher shipping costs, longer lead times and a growing demand for Swedish-produced products.

De-internationalisation has been called a “significant phenomenon” in the field of international business (Boddeyn 1979, p.22), and is supposed to be more complex than the internationalisation process (Nees, 1978-79). Despite this, it is a relatively unexplored area, especially the de-internationalisation process of production, even though as shown above, it is frequently mentioned in media. Some authors (Turcan 2003, p. 211. Drogendijk 2001, p. 12;) have even suggested that the de-internationalisation is the reversed process of internationalisation. This raises curiosity and intrigues further investigation on this scene. Mellahi (2003) describes de-internationalisation as “a voluntary process of decreasing involvement in international operations in response to organizational decline at home or abroad, or as a means of enhancing corporate profitability under non-crisis conditions”. Based in this definition where, de-internationalisation is described as a means to increase profitability, it would be interesting to further investigate the above-mentioned identified factors. As Boddeyn (1979) claims, de-internationalisation involves several factors that can be analysed at multiple levels, and it is therefore interesting to investigate if those identified factors corresponds with reality, which one is the most important, and also possibly identify some new factors that have not previously been mentioned.

### **1.3 Research Question**

Based on this discussion, the main task of this research is to find the main factors influencing Swedish firms decision to de-internationalise their production partially in different stages of internationalisation. The following three research questions are formulated:

*How does different factors influence the decision to de-internationalise production?*

*Which factor is most predominant?*

*To what extent does internal and external factors mainly affect the decision?*

### **1.4 Purpose**

The purpose of this thesis is to look at the effects of globalization on international firms from a new perspective. Earlier research has mainly focused on how the firms go global but not on the reversed. By collecting and analysing empirical results, the aim is to add knowledge and

understanding of the unaddressed issue of de-internationalisation focusing on production. Through a case study on why Swedish firms de-internationalise in different stages of the internationalisation process, and which factors contribute to the decision, the hope is to shed light over this phenomenon and contribute to the information base available in this subject.

The aim of the study is to help increase the understanding and create an awareness of the factors influencing this shift which is believed to become increasingly common in the future. This is important since other companies also need to become aware of this shift in order for them to perhaps restructure their production strategy. Hopefully, this research can contribute to an increased understanding of this phenomenon and facilitate further analyses in the future.

## **1.5 Delimitations**

Much of the previous research focuses on internationalisation as a process, not the reversed. Therefore, this thesis aims to belong to the emerging counterweight of literature with emphasis on de-internationalisation of production. The thesis aims at describing partial de-internationalisation with focus on manufacturing production since it is the most common de-internationalisation action done by companies. It is unusual that firms withdraw their whole international presence. Furthermore, this thesis will solely comprise the issue of voluntary de-internationalisation and not cover the subject of involuntary de-internationalisation. Many de-internationalization processes are involuntary caused by market failure that forces the firms to withdraw, but still the focus will be on the voluntary kind. This because the voluntary process of de-internationalisation is of strategic kind and have more underlying reason to occur, which is something more complex and intrigues further investigation. Lastly, the focus will be on de-internationalisation of Swedish companies, even though it is occurring in other countries as well. The reason for only studying Swedish companies is because several firms moved out production from Sweden years ago when there was a trend to do so because of, amongst other, cost saving reasons. Now when some firms are returning back home again it would be interesting to see what has happened both nationally and internationally and how that effect the decision to de-internationalise production. The Swedish market differs from others because of the countries history of late industrialisation and more recent shift towards high technology and knowledge based production and therefore this phenomenon is unique to study from this perspective.



## **1.6 Outline of the Thesis**

The introduction will consist of a brief background to the problem followed by a problem discussion where the questions that are to be answered are presented. Furthermore, the purpose of the thesis is explained as well as some delimitations.

### **Methodology**

The third chapter will explain the methodology used to conduct this paper. It will make clear in what way the research and work will be carried out. Moreover, the chapter will present how the empirical data will be collected and analysed. The case companies were chosen from given criteria and interviews were conducted to collect the qualitative data.

### **Theoretical Framework**

The second chapter will present theories aimed to explain the de-internationalization process that is the instrument used later in the analysis. Three theories relevant to the field of study are introduced.

### **Empirical data**

The fourth chapter will present the results from the company interviews. The information from the companies will be presented separately and show the motives of why the firms chose to de-internationalise.

### **Analysis**

In the fifth chapter there will be an analysis based on the empirical data, aiming to show similarities and differences in how companies de-internationalise compared to the theories.

### **Conclusion**

The sixth and last chapter will present the conclusions that can be drawn from this study. The main findings and discussion will be summarized with the aim to answer the research questions and purpose. There will also be suggestions for future research.

## **2. Methodology**

### **2.1 Choice of Method**

When choosing a topic for this thesis there was an agreement that it should give an increased knowledge about a company and their process of internationalisation. However, when reading about the topic it was soon to be found that many researches and case studies already had been done in this area. While reading reports and studies, a news article was found saying that several companies have moved back parts of their production to Sweden. Therefore the idea grew to explore the reverse of internationalisation that seems to be happening. The goal is to collect, present and analyse data and it is therefore relevant to discuss the method or “the scientific craft” used in this study (Svenning 2000).

Out of several methods such as surveys, experiments and analysis of archival information the case study will be used as a research approach to the thesis. According to Yin (2003) a case study is defined as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context especially when the boundaries between phenomenon and context are not clearly evident”. The advantage of using a case study is when questions of “how”, “why” or “what” are being asked and because it gives a holistic view of the research topic. In a case study data collection of multiple sources is often used such as interviews, reports and books (Yin 2003).

The type of case study chosen will in the thesis be exploratory, since there are gaps in the field of research and the goal is to gather as much information as possible to fill the gap (Ghuri & Grønhaug 2005). The research questions are of an exploratory kind since the aim is to know more about the factors that influence the decision to why Swedish firms de-internationalise.

Furthermore, the strategy used to collect data, which was needed to answer the research question, is qualitative. The reason why is that the research will be conducted by using empirical data from the qualitative interviews and interpreted analysis, and since the aim is to gain an in depth understanding on smaller samples it was naturally to choose the qualitative method (Yin 2003).

To relate theory to empirical results the strategy to be used will be the abductive way, which is a mix between inductive and deductive. According to Patel & Davidson (2003) it is applicable to choose the inductive way when the empirical work is used to develop suitable theories. The deductive way is more based on using general principles and existing theories to draw conclusions. Out of the existing theories there is often a derived hypotheses, which is then tested empirically. The objectivity in the research will be strengthened due to the existing theories as a base (Ibid). Since the purpose is to identify the main factors to why firm de-internationalise the theories used will be based on the internationalisation process by using them reversed, therefore they will be tested. But since an adjusted model from the theories will serve as a conceptual model, there is a mix between the inductive and deductive strategy resulting in an abductive way.

## **2.2 Company Selection**

The whole research can go wrong and turn invalid if not the right selection of sample data has been made (Holme & Solvang 1997). Therefore it was important to target the right candidates or companies relevant for this case study. The selection of respondents was made from an overview of companies who had moved parts of production back to Sweden and thereby gone through a partial de-internationalisation process. These companies were relevant in this research since the purpose was to look at this phenomenon that is occurring.

Considering the purpose of the study and the delimitations that included only voluntary de-internationalisation, ten companies were identified that fitted in to the criteria, and were contacted through telephone and email, that were found on each firm's homepage. The aim was to talk to the production manager since that person probably would know a lot about the de-internationalisation of production. However, in the end it was the CEO of two companies, Local Manager of one company and Financial Manager of one company that were contacted.

Moreover, nine companies were asked, but only five of the companies agreed to be interviewed since some firms did not want to share sensitive information, some simply did not have the time or interest and some did not match the set criterion. Out of this five, only four companies were chosen to be included in the thesis and the fifth was excluded since not enough relevant information was received to make an analysis of. What all companies have

in common is the fact that they are all active within the production manufacturing industry and that they are initially Swedish firms who moved their production abroad years ago for various reasons. In recent years they have all returned to Sweden by moving back parts of their production, also this due to various reasons. Moreover they are all considered to be “medium sized” companies judging by the number of employees.

## **2.3 Data Collection**

According to Yin (2003) the evidence for a case study can come from six different sources such as archival material, documents, interviews, physical artefacts, direct observation and participant observation. The data that have been collected can be divided into primary and secondary sources.

### **2.3.1 Primary Data**

The primary data usually has a high level of credibility since it comes directly from the relevant sources and is up to date material. However, it is quite time consuming to collect this type of data. The primary data is based upon interviews with the companies that matched the purpose of study. The advantages with interviews are that it targets and focuses directly on the case study topic and it provides perceived causal inferences (Yin 2003). It is possible to distinguish different methods of interviews such as structured interview, unstructured interview and semi-structured interview (Ibid). The empirical result was conducted through semi-structured interviews that were held in face-to-face meetings and telephone interviews. A semi-structured strategy is a combination of specialized questions and open questions. By using a semi-structured strategy it allowed the interview to become more spontaneously and the respondents are free to answer according to what they think instead of a few alternatives. The interviewers can also pose follow-up questions to get the right amount of information needed (Ghauri & Grønhaug 2005). The interview questions were formed around the theories used and therefore questions about the internationalisation and de-internationalisation were asked thus reasons to why they moved production back to Sweden again. The questions can be found in appendix 1. Moreover all the interviews were made in Swedish since all the companies are Swedish firms with headquarters in Sweden. The companies that agreed to answer or question was Danfoss, Esska, Hasselblad and Ivanhoe. From Danfoss the CEO Magnus Glavmo was interviewed, from Esska the Local Manager Torbjörn Holm, from

Hasselblad the financial manager Carl-Johan Yhlén and from Ivanhoe the CEO Göran Göthager. The interview with Hasselblad was held on the headquarters in Gothenburg, Esska and Danfoss were both telephone interviews and Ivanhoe was through email but was completed with secondary data since they had been on the news and appeared in media. To record the interviews was a good idea since all the interviews were transcribed later to be as accurate as possible and not miss important sayings in the information seeking. Prior to the analysis recordings and notes were translated to English.

The main search engine used was a database through the library of School of Business, Economics and Law, University of Gothenburg. In addition, both *Global Shift* (Dicken 2011) and *International Business* (Hill 2009) has laid a foundation in this research since it has served as textbooks in previously courses that both authors of this thesis has taken. To describe the de-internationalisation there is a need to first explain the internationalisation that firms make. Out of various studies such as Porters Diamond and five forces, Hymers International Production theory and Vernon's Product Life Cycle theory, the theories chosen to be included are Johnson and Vahlnes Uppsala model and Dunning's Eclectic Paradigm. These theories explain how firms internationalise (Uppsala model) and why they do it (Eclectic Paradigm). A theory explaining the de-internationalisation process made by Benito and Welch (1997) was also included.

### **2.3.2 Secondary Data**

The secondary data was collected in the beginning of the research to obtain a good understanding of the topic. Swedish media had for example written a few news articles about some companies that had gone through a re-location of their production. Furthermore, the data collected was mainly written documents and has been collected through the companies' web page and financial reports. News articles were also used to add information about the companies in the empirical findings.

## **2.4 Data Analysis**

After finishing the data collection from primary and secondary sources the work of analysing the empirical result started. A necessary first step was to transcribe the interviews, the primary sources, to enhance the ability to process the information obtained. The completion of the

transcription was followed by the first attempts to analyse. The adapted model from the theories was used as a base in the analysis by operating in the different boxes (see figure 4) trying to understand the motives of de-internationalisation. In order to get started, the decision of what kind of answers to look for in the text that could be of good use, had to be made. The decision to search the text for external and internal changes in firms that could lead to a change in strategy towards de-internationalisation as well as how the cost-motivator changed over time was made. When it came to the presentation of the empirical data obtained and analysed, it was decided to present it in the same manner as when looking for answers in the text, through the division of internal and external changes and how the cost motivator changed. By keeping the same structure throughout the whole empirical part the hope is to keep a clear chain of thought.

## **2.5 Reliability and Validity**

The reliability and validity of a research study is important to take into consideration. According to Yin (2003) the reliability can be measured in how another study carried out would look like. If a study with the same references is carried out it needs to have the same conclusions because only then will the study be considered of high reliability (Ibid). In this case another study carried out could look the same due to the method describing how the research was carried out and the appendix with the questions that were asked in the interviews. However, the interview method were semi-structured and by that followed by open questions. Therefore, some information may not reach the future interviewers since they perhaps will ask different follow-up questions. Also the persons interviewed in this thesis may remember things differently if they were to be interviewed again. The validity is according to Malterud (1998), the measurement of what is relevant in the context and one need to be able to show in what situation and for what population the results are valid. In this study, the interview questions were formed out from the theories, and later presented in the empirical results, with a focus on internal and external reasons for why firms de-internationalise. The relevance is high since there is a clear motive for what is looked for in the empirical results and analysis. The research is valid in the field of international business and can be used by other companies to serve as a manual to understand the de-internationalisation of production to Sweden.

In this study, reliable databases are used which facilitated the access to academic reports that can be considered as highly credible. Especially in the field of internationalisation where there are several of theories to go after such as Dunning (1977) and Johnson and Vahlnes (1977) theories. In the de-internationalisation field one academic report by Benito and Welch is used, it had been cited in many works before which again gives a high validity.

The interviews that were of a qualitative method gave a good insight in the company structures and by interviewing the top management one could assume they have high knowledge about the company. By using the semi-structured way of conducting the interviews the respondents were quite spontaneous and relaxed which could have made them eager to open up more. Since the interviews were recorded it was made sure all data was well documented. Furthermore, since none of the companies wished to stay anonymous in the study the belief is that it adds a great amount of reliability since readers easily can look up the companies.

However the wish was to interview more respondents and include them in this study to add more reliability and validity, and be able to draw general conclusions. Unfortunately the amount of companies was limited since not many firms actually have de-internationalised their production. Adding to this is also the fact that only Swedish companies were interviewed. Therefore it is hard to say that the model can be incorporated as a general model to be used by everyone. There could be more reasons and explanations to why companies decide to de-internationalise. However this study is a contribution to the research in this area that still needs to be filled with more studies. Even though the study cannot be seen as a general model it still has high reliability and validity.

### **3. Theoretical Framework**

There are many studies carried out on the internationalisation process, however, as mentioned above, few studies have been made on the de-internationalisation process. The authors concentrating solely on the de-internationalisation processes (see Benito and Welch 1997, Turcan 2003 and Mellahi 2003) have so far not been conceptualized in the field of international business research. Therefore the subject can be considered to an extent unexplored with only a developing theoretical base providing limited literature. Although this, authors have suggested that the de-internationalisation is the same process as the one of internationalisation, but reversed (Turcan 2003, p. 211. Drogendijk 2001, p. 12;). The theoretical framework will therefore be built on established theories that compile the process of internationalisation and grounded in the stated fact, that the de-internationalisation process is the reversed of internationalisation, the theories will be applied in reverse. Those theories, in a new perspective, will create the platform from which the analysis of de-internationalisation will be made. However, since this study is delimited to focus on partial de-internationalisation of production, the suggestion to use internationalisation theories but reversed, may be regarded upon with a bit of criticism. Theories of internationalisation may or may not be applicable in this study, because the theories focus on internationalisation of the whole operation. Therefore, it is important to keep this in mind, and as mentioned above the aim is for this thesis to serve as an attempt to explain how de-internationalisation of production is carried out and later analyse the motives from the empirical findings. The main theories that would be covered are Dunning's Eclectic Paradigm (1977), Johnson & Vahlne Uppsala model (1977) and Benito and Welch framework on de-internationalisation (1997). The chosen theories addresses the internationalisation process from several different dimensions and gives a well covered view of the subject, which seems most eligible for the set of criteria the case companies have been chosen from, and the theories will by this facilitate the prospective analysis.

#### **3.1 The Uppsala Model**

One of the most common theories in the field of internationalisation is the Uppsala Model, which has its origins from the 1970s and is a research conducted by two Swedish professors based on how Swedish firms expand to other markets. The model is based on empirical



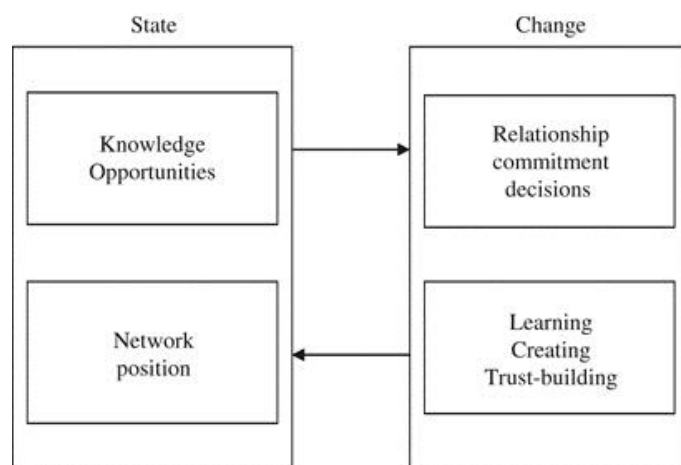
experience aiming at describing the internationalisation process of firms (Johnson & Vahlne 1977).

The model emphasizes above all on the gradual pattern companies show, which can be seen mainly in two ways: in the form of the establishment as well as in the form of psychological distance. According to Johnson & Vahlne (1977) companies first start their expansion on the home market and then gradually step by step expand to a foreign market. The lack of resources and knowledge about the foreign market is hampering the expansion. However, this lack of experience can be overcome if the companies gradually learn about the new market by moving slowly (Ibid). The more knowledge about a specific market, the more commitment decisions are being made. The degree of commitment is greater the more specialised the resources are to the market. The model suggest an establishment chain that consists of starting by exporting, later on establish a subsidiary there and eventually start production in the host country. Every step shows a commitment to further internationalisation to the foreign market (Ibid). The model is built up on the minimization of risk, which is the reason to why companies start with small scale, which usually is export to countries since it is not so costly and it helps exploring the nature and size of the market (Ibid). When using the theory in a reverse perspective the gradual pattern will be shown when moving the production back. Perhaps one start small scale moving slowly due to minimization of risk that one may have to consider. Even though the market still is familiar the firm may need to learn about the market nature again since it may have changed. The lack of resources on the home market will hamper the de-internationalisation since the firm need to build up this again. The commitment made on the foreign market will affect the decision of moving back production to the home market, because the greater the degree of commitment is, the more time it will take to decide weather or not it really is a good idea to move production back.

Furthermore, the timing of the establishments is related to the psychical distance between countries. Psychic distance is according to Johnson & Vahlne (1977) defined as “*the sum of factors preventing the flow of information from and to the market*”. These factors preclude an effective information interchange between companies and the foreign markets is for example language, culture, education, business practices and psychical distance. The selection of country often falls on a country one can easily identify with. Normally it has the same preferences and values and is closer mentally. Therefore, one can easily predict the outcome of the investment (Johnson & Vahlne 1977). Eventually, in the future the firm will take major

initiatives in the internationalisation process such as Greenfield investments. The same applies to the cultural distance, which is increased gradually. The model is driven by minimization of risk, both economically and culturally (Ibid). Regarding the reversed process, the psychological distance may be apparent if the company have been away from the home market during many years and the home market has changed when they return back. The language barrier will probably not be a factor that affects the psychological distance, but a change in the business practices may have occurred that affect the distance and it could take time to get to know the market again.

The revised Uppsala Model from 2009 has its focus on the surroundings because many studies has shown that networks influence a great deal in the internationalisation process of firms. The model therefore emphasizes on the importance of relationships within a business network. According to Johnson & Vahlne (1977), markets can be seen as networks of relationships where firms are linked together each other in various ways. These relationships offer a platform for learning and for the building of trust and commitment, which is the foundation of the internationalisation process. The process of internationalisation is controlled by the relationships that firms have with the key domestic and foreign actors. One can either be an insider who has contacts and relations or an outsider who stands outside the relationships; therefore it is harder for them to succeed in the internationalisation process (Ibid). In the reversed Uppsala Model, networks will have the same impact on the home market, as it has on the foreign market. It is easier for a firm to succeed in a market with good relationships within a business network than on a market where they are considered as outsiders. So, when firms return back to Sweden they will need to build up these networks through contacts and relationships.



**Figure 1.** The Business Network Internationalisation Process Model  
Source: Johnson & Vahlne (2009)

The Uppsala Model has received criticism because the model is not always applicable in reality. Due to changes in the world economy and more competition many companies do not follow the gradual patterns the Uppsala Model show. Some companies choose to internationalise directly and it is not necessary to expand in foreign markets that are close to the home market in psychological distance (Gustavsson 2003). Since today's world is changing and many markets are becoming more and more homogeneous, it is rather important to see what opportunities the market can offer such as market size and purchasing power to mention some (Ibid). It is also not always obvious that companies choose export as a mode of entry. Also, today there are many companies that are "born global" and it is sometimes good to internationalise early since the firm will have more markets to rely on. Also the firm turns out to be more dynamic and will develop an international identity (Ibid).

When looking at de-internationalisation from the theoretical perspective of the Uppsala Model, it will be the same process but from a reverse perspective. The de-internationalisation process will be gradual and the movement of production back home will be taken in several steps. Networks will be of importance as well as the psychological distance factor.

### **3.2 The Eclectic Paradigm**

One of the dominant analytical frameworks for examining international production and foreign direct investments was created by John H Dunning (1977). The framework is called the Eclectic Paradigm and is supposed to explain "the extent, form and pattern of international production" (Dunning 1988) based on the idea that the industrial and geographical compound of foreign production in multinational enterprises is influenced by three variables. The variables in turn cover own sub-paradigms that are interdependent and consist of owner, location and internalization advantages (OLI) that encourage firms to attend to international business other than through trade.

The owner advantages (O) are a firm's specific features that distinguish it from other firms and which can be transferred to other markets. The stronger the features, in comparison to firms domiciled in the market they are planning to enter, the more likely the firm is to succeed in engaging in foreign production there. Owner specific advantages can be factors such as firm size, market power, and economics of scale or technological specialities (ibid.)

Localisation advantages (L) are the attraction the new country or region constitutes. The location would in some way contribute to increased value for the enterprise. The L-paradigm is tied to the O-paradigm through the avers that the more immobile the endowments that has to be used together with the owner specific advantages are, the more favourable a presence in a foreign location would be. So the more profitable it would be to exploit the O advantages together with foreign resources the greater the L factor is (ibid.).

The last paradigm balances the question of internalization (I) and whether it is most favourable to use, thus internalize, the O-assets by the firm itself. Through the internalization factor (I) different ways a firm can organize the use of their core competencies (using the open market, franchising or licensing) in different countries is evaluated (Dunning 1980). If the internalization benefit from using direct product markets is large, then it is a greater probability that enterprises will conduct the foreign production by themselves (Ibid).

The Eclectic Paradigms approach to international production can be summed up in the following way; firms operating in their national market develop owner specific advantages (O) and can choose two ways to grow, either horizontally or vertically. The horizontal growth includes new product lines and segments whereas a vertical expansion is into new activities and expansion in its current field such as new markets. By choosing the vertical expansion the firms becomes an international enterprise (Dunning 1980). In order to compete with enterprises domiciled in the new market it must be able to transfer its firm specific advantages (O) from their home market to the new market chosen on the basis of localization advantages (L). The ownership advantages (O) of the enterprise are thanks to the presence on the new market internalized (I) within the enterprise. The greater the (I) advantages are the more likely it is that the firm will engage in foreign production (Ibid).

To be able to apply to apply the OLI variables in reverse on firms deciding to de-internationalise production, as has been assumed is possible, the viewpoint of the variables has to change. They can no longer be looking at the host country, as it was made when first deciding to move production there, but turned inward to the OLI features of the home country. Factors affecting the companies to move out of Sweden in the first place might have transformed over time and the transformations can be analysed by the reverse OLI. By changing the focus to the home market, national factors affecting a decision to move back

production to Sweden for companies will be identified, thus the variables would be an important contributor to increase the understanding of which national factors affect and triggers the decision to de-internationalise.

Rugman (2010) points out that the (I) advantages makes licensing and joint ventures less beneficial since it makes the risk of losing the advantage larger, hence international production within a firm is favoured when applying this model. This criticism can be important to keep in mind when using this model for further analysis.

It can further be asserted that the OLI paradigm will differ from firm to firm much depending on the home countries and country planning to invest in external features such as political and economical, and would together with the internal features be an important trigger (Dunning 2000). The previously mentioned features create together with the industry in which the enterprise operates, strategy and objectives the precise ground for the OLI parameters in the enterprise, which in turn makes the eclectic paradigm strongly contextual (ibid.). These external factors would thus be important to study as well, not only the internal, to cover all the triggers that influence the decision to de-internationalise.

Throughout further research in the subject of foreign-based enterprises and operations Dunning (2000) together with other scholars found four principal motives behind it:

- Market seeking, with the motive to serve a certain demand on the foreign market.
- Resource seeking is strongly motivated to enter the foreign market by the supply of natural resources available.
- Rationalized or efficiency seeking, to rationalise production, gain more efficient labour division or some kind of specialization on already present assets of the enterprise.
- Strategic asset seeking is linked to the existing (O) advantages and the need to protect or expand them. The motives can also be to reduce the (O) specific advantages of competitors or prevent them from expanding them (ibid.).

When looking at the Eclectic Paradigm normally the variables are all based on the opportunities in the host country and from the perspective of their country specific advantages. With this in mind it is important to remember that the four motives (market seeking, efficiency seeking, natural resource seeking and strategic asset seeking) are analysed from a viewpoint of the host country and that national based motives for the enterprises might

be forgotten (Rugman 2010). Thus the model does not adapt when the home country specific advantages change, since it does not take them into account from the outset, thus the four motives has to, as well as the OLI variables, according to this be applied inward at the home country in order to be applicable when analysing the contributing factors leading to a de-internationalisation. The four motives will, from this perspective, be of importance to the prospective analysis.

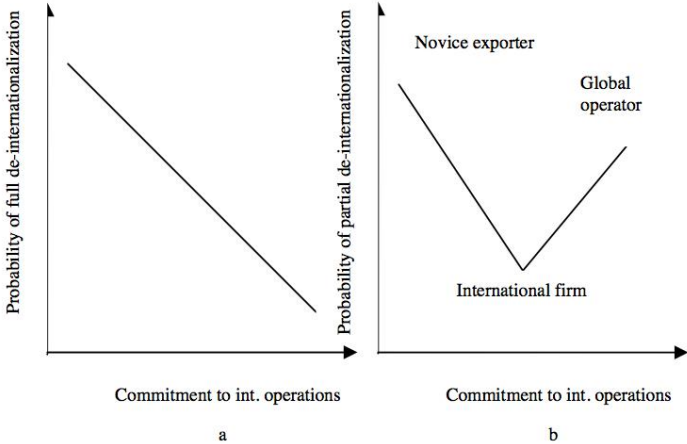
### **3.3 Benito and Welch**

Many researchers have agreed to the fact that: “*internationalisation can be viewed as a barrier to de-internationalisation*” (Benito & Welch 1997 pg.14). This is because of the commitment people in a company has made to the international operations, creating a psychological pressure to ratify the undertaken development. By further increasing the commitment to this course of action a confirmation, that the right decisions was made, is created. Thus one of the driving forces behind internationalisation is the managerial advocacy to stick to the selected decision (Johnson & Vahlne 1977, Welch Luostarinen 1988).

By reversing the internationalisation process the manager would contradict his own decision and it requires a large negative outcome for this to happen. With the base in Johnson & Vahlne (1977) and Welch & Luostarinen (1988) research together with a consistency found in a number of ideas and variables stressed around the subject of de-internationalisation Benito and Welch (1997) tried to create a conceptual framework. The framework is grounded in three figures called A, B and C were the first (A) explains the facts stated above, about how the greater commitment to a market the lower the probability of full de-internationalisation. Model A does not apply so much to the aims of this paper since the focus is on the de-internationalization of production and this kind of de-internationalisation will very unlikely lead to full de-internationalisation. Chetty (1999) argued that de-internationalisation could occur in several aspects of a firm (such as production) while during the same time it strengthens its international presence. This can happen when firms choose to take back production in one country, but at the same expand sales in another country or increase their export of goods from the home country. For multinational enterprises and other firms deeply committed to foreign operations a full withdrawal of their operations from their foreign markets would be very hard to implement since their dependency on them is large. In those

cases a partial withdrawal (figure B) or strategic re-positioning of production would be more likely and thus figure two is more accurate and applicable for this research.

Model B addresses the probability of partial de-internationalisation of different aspects of the firm (such as production) and the fact that they occur more frequent in early or late stages of de-internationalization (Benito & Welch 1997). Even though firms learn from their mistakes and moving forward is one of the main forces behind the internationalisation process, partial de-internationalisation can be seen as a necessary part of the experiences learnt in the process of internationalisation (Ibid). Often it is a positive sign when firms learn from their mistakes and adapts their behaviour to the market, it does not always start a de-internationalisation process, nevertheless in some cases the lessons learnt could be an indicator that some reduction in involvement is needed (Ibid).



**Figure 2.** Model A: Complete De-Internationalisation and Commitment to International Operations.

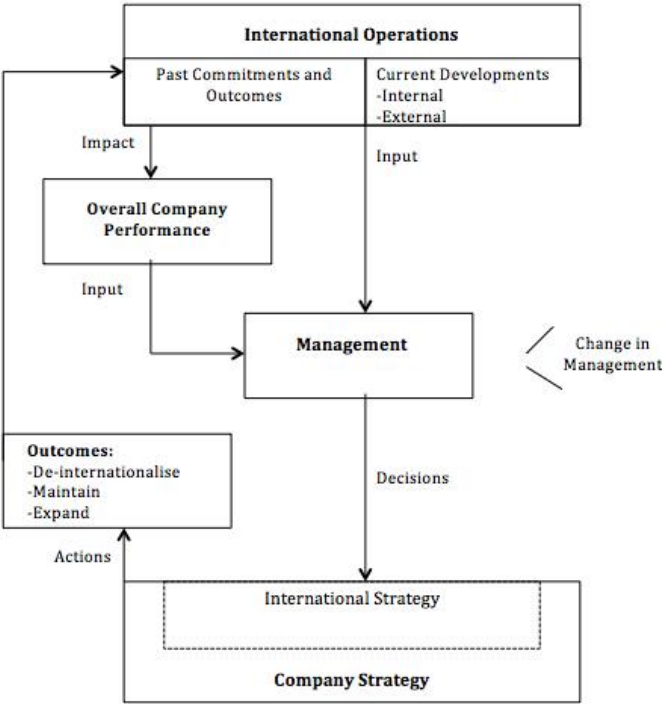
Model B: Partial De-Internationalisation and Commitment to International Operations.

Source: Benito and Welch (1997)

The model claims that the novice exporter, with fewer investments in foreign market production, has a greater ease to exit markets partially than international firms with greater commitment. It also states that the difficulty to close down operations is growing with the size of the operations, international firms are more likely to face problems both within the company and with outside forces (Benito & Welch 1997). Some of these exit barriers that arise with increased commitment to the foreign market are trade unions, workers, local government and other interested parties dependent on the work the production provides. A global operator does not have as easy as a novice operator to exit the market, nor as hard as an

international firm, this because they have larger means and flexibility to do so (Ibid). A larger firm with several subsidiaries and production facilities in many countries has more options when facing problems with a particular subsidiary than smaller firms. The larger firm has greater overall commitment to international operations but each subsidiary or production plant plays a smaller role and a de-internationalisation in one of them would thus be easier (ibid.).

Model C shows how the decision to de-internationalize different operations in firms, such as production, is affected by different factors originating in past commitments and outcomes of them (Benito & Welch 1997). Current developments internal and external from the company have some influence as well but mostly there is a substantial interdependence between firms international strategy and the decision to de-internationalise, this mutual dependence is growing with firms international commitments (Ibid).



**Figure 3.** Model C: De-Internationalisation and International Strategy: A Framework.

Source: Benito and Welch (1997)

If the companies are facing some difficulties on the foreign market a de-internationalisation might be taken into consideration, but will be deeply affected by past commitments made in the particular part of the company as well as in the international operations in total. If the



commitment is large or the dependency on that particular subsidiary or operation is large, it is more likely that the company will try to invest in maintaining and improving the situation rather than withdrawing (Benito & Welch 1997). By doing that the dependency of that particular operation or production plant grows and has larger influence on the overall company performance. This would develop into an interlocking circle and to break this some strong pressure from current operations has to occur. Other factors that can break the circle are some past experiences in the field of de-internationalisation that has been made successfully, providing an example and information base of how to perform it, change in strategy, change in the top management such as new CEO or production manager since they would not be tied to self-justification (Ibid). Also this third model of Benito and Welch can be applied when conducting analysis in this paper since it addresses important issues of what influences the decision to de-internationalise production. One can however argue that the model puts too much emphasis on the past commitments and does not take into account recent changes internal and external to the company.

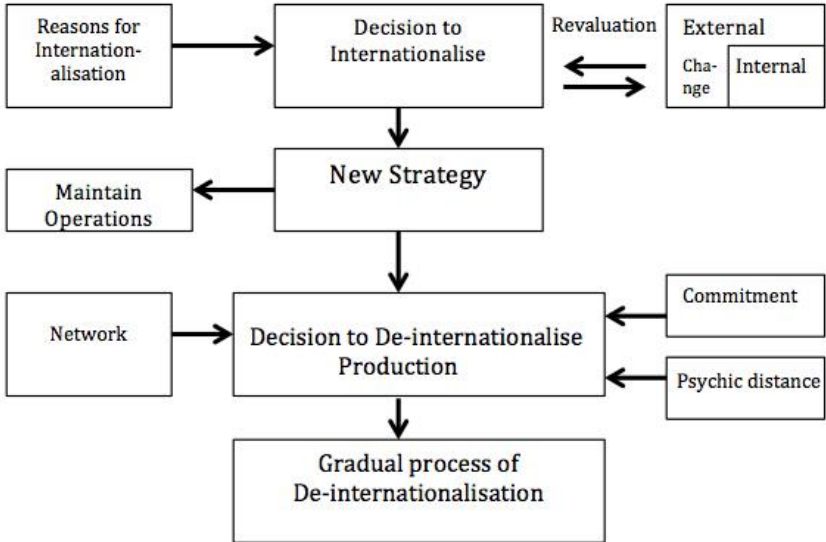
This framework is one of few in the field of de-internationalisation and the writers themselves describe it as a *“first step in drawing together ideas relevant to the issue of de-internationalisation”* (Benito & Welch 1997 pg. 22). Deriving from this information it can be concluded that the framework is not yet satisfactory.

### **3.4 Summary**

The chosen models address the issue of internationalisation and de-internationalisation from different perspectives such as the interconnection between commitment and partial de-internationalisation, reasons behind and the process of internationalisation itself. However, it is important to keep in mind that this paper only focuses on the de-internationalisation of production and not the whole corporation. The Uppsala Model and Eclectic Paradigm overlooks some important factors, the focus is on the gradual process of internationalisation, not taking into account changes in strategy that can occur during the way, breaking the gradual process which can result in partial de-internationalisation.

Even though Benito and Welch's third figure in their theory addresses the issue sufficiently, the model serves as a first step of creating a theoretical framework in the field of de-internationalisation. The model would need to be completed with additional information based

on the other theories as well, as an up-date derived from the increased knowledge in the field and most of all angled against the de-internationalisation of manufacturing production. Therefore, a model that incorporates the key elements of each theory has been made to explain the process and factors influencing the decision behind de-internationalisation of production. The theories discussed can be seen incorporated in the figure below, which will be the foundation when further analysing de-internationalisation.



**Figure 4.** De-internationalisation Model of Production.  
 Source: Adapted Model from Dunning (1977), Johnson & Vahlne (1977) and Benito & Welch (1997).

The first box in figure 4 describes the reasons that lay behind when firms chose to internationalise their corporation. Dunning (1977) describes four main reasons that are market seeking, resources, efficiency and asset seeking. When reasons are strong enough firms take the decision to internationalise their operations. When the firm has internationalised their operations both external and internal changes influences the company (see the box in figure 4). Internal changes are the changes that occur within the company and can for example be organisational structure, technological capacity, knowledge change and financial changes. External changes are the events that occur outside the company that are hard to control such as political and economical factors, influence from the state, trade barriers, trade unions and changing trends (Dunning 1980). The Eclectic Paradigms OLI variables are only applicable in one single point in time the conditions, internal and external, that firstly made the internationalisation favourable can change as so must the strategy. The firms owner specific advantages (O) can increase making a stronger presence on the home market more favourable

or localisation (L) advantages on the home market can grow stronger over time and become larger than in the country chosen for internationalisation. Changes in the OLI-foundation makes firms re-evaluate their initial decision that where on the first hand based on them, this leads to the creations of a new strategy with several outcomes (see the box in figure 4) Either the firm sticks to their decision and maintain their operations or they chose to de-internationalise. The decision to de-internationalise is affected by the commitment made to the market (see the box in figure 4), which can be seen in both the Uppsala Model and Benito and Welch framework. If the commitment is of high level the decision may be harder to take and the lesser commitment the easier to decide to move back. Furthermore, the access of a network on the home market will also influence and may or may not trigger the decision to be made. When returning to the home market the firm need to build a network and establish relationships to be able to compete on the home market. The psychical distance and the other barriers that could exist when returning to the home market will be taken into account when a firm de-internationalise. Therefore, the gradual process is present in the reversed model as well and production will be taken back home in steps by steps.

The prospective analysis will be made from the presented factors, assumed to affect the decision to de-internationalise, which are divided into the boxes internal and external changes, network, psychical distance and commitment.

## 4. Empirical Findings

### 4.1 Danfoss

Danfoss Värmepumpar AB former called Thermia Värme AB was founded in 1922. The company produce and sell heat pump systems. In 2005, Danfoss Värmepumpar AB was acquired by the Danish company Danfoss AB. The same year six different companies in Europe specialized in heat pumps were acquired, whereas Thermia Värme AB was one of them and who later changed name.

*“In 2004-2005 was the year when this heat pump race really began and people started installing geothermal heating and things like that. Everyone thought this was the time and that this will grow as an explosion throughout Europe. It was simply a race. Many companies bought up other companies, in order to position themselves with the brand, knowledge and production in order to be prepared when this train took off”* (Magnus Glavmo, CEO of Danfoss).

The company markets and sells Danfoss products in Sweden for cooling and heating. Danfoss AB has production in 18 countries with 56 factories. There are 23 000 employees and the annual turnover was 3 billion DDK in 2012. It is a solid company organized into divisions and business units. The business unit of Danfoss Värmepumpar AB is called indoor climate solution and covers both heat pumps, ventilation products and under floor heating systems. Danfoss Värmepumpar AB only focuses on the heat pumps, whereas they have production, purchase, research and design in Arvika, Sweden. Their largest markets are the Nordic countries, especially when it comes to heat pumps. The person who answered the questions in the interview was Magnus Glavmo who is the CEO of the company in Sweden and thus the quotes below are from the interview conducted.

#### **4.1.1 Reasons for Internationalisation of Production**

Since the Danish company Danfoss acquired Thermia Värme AB in 2005 it was a natural step to move production to Poland, since Danfoss already had a factory there. The reason why production moved to Poland was due to the low-cost production that could be achieved there. The company saw the possibilities of an increase in volume and capacity. Therefore, it was an easy and smooth relocation, which began in year 2006. However, it was only the high volume

products that were moved to the factory in Poland since they are the ones with most pressure on profitability. Furthermore, there are always challenges when entering new markets and the same applies in this case where the difficulty was to transfer knowledge to the factory in Poland. However, since there already was a working factory in Poland with about 800 workers it was not difficult to start since everything already was fixed. The company just needed to hire more workers and then be ready to go. The decision to move the production back home to Arvika again came in 2011 due to various reasons that are going to be presented further down in this thesis. It is however important to keep in mind that the process from when making the decision to when it actually was implemented took a few years and it is something that requires amount of evidence or as the CEO puts it:

*“The decision to move home production gradually grew. It is something to have respect for, it is not possible to just come and say oh, should we move production from Poland to Arvika? Instead it requires enormous evidence when going in that direction. Everyone will question it and say that it should be the other way around as it is cheaper in Poland. You have to build a bunch of facts, story and real motivation because it takes a lot of time and effort and persistence, I would say, to come to a decision and prove that it is right”.*

According to the CEO it took about two years before it became a decision to move production back home to Sweden. After the decision was taken, the production stopped after two months and after another month production equipment was relocated to Arvika.

#### **4.1.2 Internal factors influencing the De-internationalisation**

According to the CEO of the company there are several reasons for why a decision was made to take back the production from Poland to Arvika in Sweden. One major reason was the internal changes in production towards a movement to lean production. Lean production is all about producing products in a resource-saving way. The aim is to not order more than needed so that the components will arrive to the production just in time and in the right quantity. The CEO himself says: *“The last 3 or 4 years we have been working a lot with lean production and streamline production and we have made huge improvements. It's been a really big key to why this was possible”.* Danfoss Värmepumpar AB began to work with lean production and was therefore able to improve the efficiency. The changes lead to an increase of cost saving.

Since the reason for moving the production of heat pumps to Poland was the cost advantages, it became natural to move back the production when these requirements were no longer fulfilled. The CEO comments *“We have actually increased our productivity so much in our Swedish factory, and so did also the difference between Poland and Sweden in the cost price of heat pump, it was after all so small”*. The labour cost is cheaper in Poland, but looking at the total costs for Danfoss it was not so cost reducing, as it seemed. The relocation of production was only for the segments of heat pumps; therefore they still continued producing other products in the factory in Arvika. Having two different production plants also resulted in transport costs, employee costs, logistic costs and so on. *“So, logistics, transport and workers. If it is added together you get to a certain point where it is not profitable anymore”*. It is more costly to have production plants in two places and have the double cost of everything. The improvement and productivity gains resulted in a 10% wage cost of the total costs of a produced heat pump, which was much lower than before. Since this is a small amount it became yet another motive for moving back. Or as the CEO himself says:

*“All the hours it takes to build a heat pump, it is not that much, it might take two hours to build and then it should be clear to you that it is perhaps 10 per cent of the total cost of heat pumps that are not purchasing materials. Then it does not matter that the daily working hours are much cheaper somewhere else because the overall economy is becoming more expensive”*.

Therefore the cost motive has not changed, because Danfoss is still striving for cheaper production but since it got more lucrative to produce in Sweden thanks to the lean production there was a reason to move. The CEO comments: *“That was really the whole idea of why we moved back”*.

Another reason the CEO states being of importance is the quality and quality control. Danfoss had quality control in both Arvika and Poland, but the distance that exist when there are two factories becomes a problem. *“It's very hard to get the production plants to be on the same level. You get to spend a lot of energy to get it”*. When there is a problem in the production in Arvika it will be fixed, however it is very hard to send that information over to Poland, the same applies if there is a problem in production in Poland. It is sometimes both time consuming and quite hard to make sure the quality is the same on both production plants and

Danfoss wanted to recover their loss of control which yet was another reason for moving the production in Poland back to Arvika.

The last reason was the capacity issue, because after the improvements such as reduced surface and beginning with lean production it lead to productivity gains. Danfoss could, after all these improvements made, now see the possibility to produce much more heat pumps than they could before on the same surface and same amount of employees. *“We have the capacity to manage it and even if we have a growth stage now, we can produce heat pumps in Arvika at least 3-4 years ahead in the future.* With those words from the CEO there was no longer a need to have another production plant.

#### **4.1.3 External factors influencing the De-internationalisation**

As presented above, there are several internal factors that have influenced the decision for moving the production back to Sweden again. However, there is also an external factor that influenced the decision. The area in Poland where Danfoss production plant is situated is an economic zone that the Polish state has subsidised. Therefore, Danfoss have had and still continues to have beneficial tax reliefs and discounts. The decision was influenced and took a longer time to make because of these benefits. The CEO comments:

*“In Poland there are these kinds of areas, where we had our production was an economic zone and the Polish government had subsidized so we got along very well with tax reduction and these kinds of things. It was a factor that was a small problem and then it took a little longer to make the decision”.*

Since this was the condition in Poland, but not in Sweden it became a factor to consider whether or not to move the production back. Danfoss wished the Swedish state also would give benefits to stimulate growth.

## 4.2 Hasselblad

Hasselblad AB was founded in 1841 in Gothenburg, Sweden primary selling domestic products. Today, Hasselblad is well known worldwide for their collaboration with NASA and being the camera taking the first pictures of man on moon. Since then, Hasselblad continued producing and selling cameras with superior quality and design. The company has had a history of different owners, in 2003 the Shriro Group, their previously main distributor in Asia, acquired a majority shareholding. Later in 2004 Shriro Group bought Imacon A/S a Danish manufacturer of scanners and digital backs with the purpose of merging the two companies together. Most lately the private equity firm Ventizz acquired Hasselblad group, bringing it back to its European roots. At present, the company has 180 employees and a annual turnover of 293 million SEK, they do not have any more own factories abroad but uses suppliers from several different countries. The contact person in the company has been the Financial Manager Carl-John Yhlén and the quotes in this part are from the interview performed.

### **4.2.1 Reasons for internationalisation of Production**

Hasselblad has over a longer time been involved in subcontracting and has also been buying parts for their products internationally. *“It is a complex product so it is hard to know everything by yourself. Therefore it is an important matter that we put a specification others can receive and understand so they can deliver to us what we need.”* The internationalisation of production, not only by sub-contractors, was made during the merger with the Danish firm Imacon. The firm had from before production in Copenhagen and thus Hasselblad gained a factory internationally by merging with them. Hasselblad had not taken part in the fast technological change from film-based cameras to digital and now the company had to enter the field as a necessary step to survive on the market. As the new CEO over the both companies said, *“They became digital within a fortnight. They finally realized there was no future. It was impossible to keep Hasselblad alive without digital”*(Andreas Tzortzis). The motives behind the merger where to get access to advanced technology and competence they did not possess. *“All of a sudden it all came down to present a unified product to the market quickly and this merger made it possible to accelerate the process so from that perspective it fulfilled our expectations.”* The production process was divided into two main parts, where



digital back pieces were produced and shipped to Gothenburg for the assembly of the finished product.

#### **4.2.2 Internal factors influencing the De-internationalisation**

Eight years after the merger Hasselblad moved the production of digital backs to Gothenburg. The company made a centralisation of production, reparation, technical support and most parts of research and development to one place. The internal changes that lead up to the decision where amongst others new access to knowledge and the possibility to move competence.

*“It slowly became so that the Swedish company here in Gothenburg made more and more of the digital back. It then became natural to get control of the whole process by moving even the last parts of production instead of making parts and send to Copenhagen. We relocated everything so it would be up here instead. By doing this we secured the competence we wanted and gained a clearer and cleaner flow.”*

The workers in the Gothenburg factory gained the competence and skills needed to create production in their own factor instead for in the one the company bought. This happened in a gradual process and when the skills were gained there was no need to have two factories. When having one factory the company would gain more control of the process and a more effective flow.

*“It was planned out to the smallest detail, but we did not release the information on beforehand, then we would have lost people in Denmark much earlier. We built a parallel organisation out here so we had to rebuild a lot, that was one change, then we had to move forward very carefully because it is all about competence and skills. What kind of people were involved and which skills they had, about how we could secure their skills so that the knowledge did not get lost /.../ we made sure we knew how to operate the machines, computers and all that kind of parts. After that we tied up the employees we really wanted to keep”.*

The planning behind the move was extensive and time consuming. There were a lot of preparations that had to be done such as adapting the facilities and preserving skills needed.

Hasselblad did not start their production in Denmark because of cost saving reasons, as mentioned before, but for the access of knowledge and technology. The shift back to Sweden with their core production lead on the other hand to cost savings as the Financial Manager explains:

*“There is a financial benefit of not being spread over too many places since you gain a scale advantage when locating all the production in the same place, as we did in Gothenburg. You also secure the competence, skills and quality on your flow better in one place instead of two. That was what we felt was needed, to gain control in a different way than before. The scale production and reduced inventory levels – there are a lot of things we saved money on.”*

Shifting the whole production, assembly and service into one place provided the company with several internal improvements such as scale production, less inventory and together indirectly those internal factors lead to cost savings and a more cost efficient production. Also the company gained a deeper control than before.

Another internal change was the management structure of the firm. Previously, when the merger first happened, the title of CEO and head of production was held by the same person. Now the decision-making was divided into two separate positions with a separate head of production focusing solely on production. This might have influenced later decisions regarding the location of production since the CEO over both companies previously had been CEO over the Danish Imacon.

#### **4.2.3 External factors influencing the De-internationalisation**

Even though Sweden and Denmark are geographically close their external environments differ a lot. Hasselblad was not aware of these differences and as such they faced some difficulties when merging with Imacon. At first two major differences were recognised, the first being the different company cultures. Imacon came from a small entrepreneurial firm that had grown to a large company, where as Hasselblad comes from a traditional larger firm. This added to the second external difference - the home country cultures - influenced the working environment and production a lot or as the Financial Manager says:

*“They did not know production in the same way (as us). They were very good, world-leading, at this with image processing but to produce and especially when it comes to volumes it was*

*not their thing. They had not as controlled production as we had and another way of relating to production in ways such securing and controlling everything.”*

These external factors originating in the differences in working and production cultures influenced the decision of moving all the production to Sweden where they found the external environment more familiar. The third external reason found is based on how the networks can affect a company's decision of location. According to the Financial Manager Sweden has a better network with a greater width and skills to get hold of and especially in Gothenburg.

*“Denmark does not have the same industrial culture as Sweden and by that they do not have the same network possibilities as we do. For example we have Volvo, Saab and other large companies providing an industrial base. Of course there are industrial companies in Denmark but they do not at all have the same width as we do. This means that it is not as easy in Copenhagen, there are very few companies considering it is no industrial city, as in Gothenburg which is a much more industrial city. There is much more skills to get hold of there and in nearby cities such as Trollhättan and Stenungsund.”*

Industrial companies such as Hasselblad are very dependent on the external environment and available networks for successful production. Copenhagen and Gothenburg are very different environments to operate in, Gothenburg being an old industrial city has more companies to build networks with than Copenhagen. It is important to keep up with the fast pace in the industry by having access to the latest technology and most skilled workers. Clustering is favourable because it keeps the companies in a close proximity to all of those things. In a cluster, or city with a lot of industries, a network is created between companies. This facilitates production and in this case Gothenburg had more to offer than Copenhagen.

### **4.3 Esska**

Esska is a privately owned company that manufactures and sells baby items such as infant's feeding bottles, teats, bibs and eating articles. The company guarantee the highest safety and quality in their products and have been around since 1954 when they started in Eskilstuna, but later moved to Lidköping where they still are active. Esska has one production plant in Lidköping, but they have suppliers in Thailand, China and Malaysia that produce certain products for them. Today Esska employs 24 people and had an annual turnover of 42 million

SEK in 2012. The largest sales market is mainly the Swedish market, which accounts for 80 % of the turnover. In Sweden the products are mainly found in the retail chains and many baby speciality stores. One could say that the Nordic countries are the largest ones but Esska also has customers in a few European countries. The interview was done with the Local Manager Torbjörn Holm and some parts of the interview are recited in the following paragraphs through quotes.

#### **4.3.1 Reasons for internationalisation of Production**

Esska have for many years worked with suppliers from Thailand and started to cooperate with suppliers about 15-20 years ago. The reason was because the suppliers can produce products that Esska themselves cannot since they do not have the right equipment. The Local Manager says that in 2004 the decision to start producing teats was made. Furthermore, the volumes on the specific produces had not been so large and therefore it did not pay off to buy the equipment and have it in Sweden. It would require enormous investments to have such equipment in Sweden and it was therefore not profitable to have it in-house. The Local Manager comments: *“The largest reason for that is that there are special products that we do not have the equipment to be able to produce in our factory. It is not as large volumes and it would require a huge investment if we would have such a production in Sweden”*. Therefore one may say that the motive to internationalise was competence-seeking and cost reduction. The decision to move production back to Sweden came in year 2011 due to various reasons that are presented further down.

#### **4.3.2 Internal factors influencing the De-internationalisation**

The main reason to why the production was taken back to Sweden is the internal changes that occurred in the company. The Local Manager means that the years from when they started to buy the teats from Thailand in 2004 was test years to see if there would be a demand for the product on the Scandinavian markets. In 2011 they could see that there was such a good sales volume, which made it profitable to buy the equipment and produce it in-house. The production could then start in Sweden in 2012 and meanwhile the suppliers in Thailand continued to deliver the teats until the equipment in Lidköping was installed and ready to go. *“It's a different type of production that we now have such a good sales and volume that made it profitable to take home the production and be able to have it in Sweden in order to automate and produce in Sweden and then we could take that step”*.

However, there is still production of certain products that are far too unprofitable to produce in Sweden since the sales volume is not that large. It requires enormous investments in very expensive machines that probably would cost around from 20-40 million SEK. Therefore the reason for buying products in Thailand were not for using a low-cost labour, instead to get access to machines that were not yet possible to buy. *“We added production in Thailand where it is not required much investment to see if the product would suit the Swedish market. We thought if it will be a success and we get the volume up on it so we can take it home and produce it in house”*. The goal for Esska has always been to have production in house due to the access of control, closer to the market and the flexibility it brings.

#### **4.3.3 External factors influencing the De-internationalisation**

The external reasons that affected the decision would be the delivery times from Asia to Europe. The Local Manager claims that it sometimes can take up to three months to deliver the products from Asia back to Sweden and since Esskas major market is Sweden it is therefore easier to be close to the market in Sweden. Being closer to the market makes the flexibility better and if demand grows quickly Esska can provide the market with the products. The Local Manager also said that sometimes the product did not live up to the standards put by Esska when it came to the design and appearance. Therefore the advantage to have most of the production in the home market is the flexibility it brings to the company or as the Local Manager puts it: *“The advantage of having it at home is that it is very flexible, not very long delivery times, we can find a lot more fun things about it ourselves. It gets a little more difficult if you have a production far away, and delivery times and quality. If you have it in the house, it is much easier to deal with it”*.

## **4.4 Ivanhoe**

Ivanhoe was founded in 1946 under the name Gällstads ylle after the town it was located in. Gällstad in what the company describes as *the cradle of the Swedish confection industry*. This heritage left behind knowledge of manufacturing, materials and methods that are up to this day reflected in their products. In the beginning the production was centred on female knitted fashion. Later on the company changed their focus towards sportswear and alongside with this shift they changed their name to Ivanhoe. Today Ivanhoe sees an increase in demand for their

signature garments of felted wool and the company got a large lift when they dared to take the chance on colour and patterns. The company's next step is to increase their exports and a large step in the right direction was a contract with a British Golf chain. Large potential is seen in exports and the company is going to put a lot of time and effort into this development in the future. The company employ 12 persons and has a turnover of 34 million SEK (in 2011), at present they have some manufacturing production left in Estonia but not in other countries. The interview was done with Göran Göthager, the CEO of Ivanhoe.

#### **4.4.1 Reasons for internationalisation of Production**

The Swedish textile and confection industry had its peak in the 1950-1960s, employing around 130 000 people at most. The production was mainly centralised to Borås and smaller towns close by, Gällstad being one of those. During the 1970s imports of cheap textiles and confection from low-wage countries started to outcompete the local production. In order to survive and be able to compete on the market companies started to move their production to low-wage countries. As Göran Göthager describes it “ *The large companies moved to Finland, Portugal and the rest more or less followed. After that, in the beginning of the 90s, the Baltics became of interest and in this way it began. It was easy made to follow the large companies* ” (Mossberg). Ivanhoe moved their production to Estonia by creating an Estonian company together with two other Swedish firms. When moving there they did not have any special network and it was their first involvement in international production. Even though they moved to a low wage country their main motive was to get access to capacity for sewing. “ *In Estonia there was capacity and expertise, we come with orders and knowledge about our customers' requirements* ” (Göran Göthager). Ivanhoe felt they did not encounter any difficulties or barriers for their overseas move.

#### **4.4.2 Internal factors influencing the De-internationalisation**

Ivanhoe have just recently moved back most parts of their knitting production to Sweden from the Baltics. Approximately 80-85% of it is moved back and this was made by a relocation of machines. “ *We did it like this: we moved back a number of knitting machines to Sweden from Estonia, we had a business here (Sweden) and a business there (Estonia). Two very small units which we tried to merge together into one a little bit larger unit* ” (Göran Göthager). The transfer was made all at once, not in a gradual process. Investments in new machines and new factory space were also made so that production can continue directly in the factory in

Gällstad giving the local population a chance to work: *“I believe there is an important competence here (Sweden) we should seize”*(Göran Göthager). This was a large change for the company and it was based on several internal reasons such as a shorter production chain, increased control on materials, competence in new investments such as more advance knitting and that it is more economically beneficial. Anna Göthager, daughter to Göran Göthager, and in charge of design and marketing says:

*“There are several reasons for it. Primary to gain better control over production, shorter lead times and environmental aspects such as fewer transports to and from Estonia. All of this added to more flexible production. The increased capacity in Gällstad can also be used in other projects together with young designers or different textile educations.”*(TEKO)

This quote, once more, underlines the changes the de-internationalisation caused and the positive synergies it contributed to. It lists different reasons such as increased flexibility, greater control, shorter lead times and improvements in environmental aspects. Ulf Göthager co owner of Ivanhoe, quoted below, mentions similar factors but emphasizes on the increased control: *“You gain a whole different control, you can steer and discover the problems that can occur much earlier and correct them in the daily production in a whole different way. This is primarily why we now take back a large part of our machines from the Baltics and also invest in new ones at home”*. (Håkansson)

As it appears the decision is not only based on one factor but several ones that differ in importance. Another important change that should be noticed is the generation shift in this family company. Now son and daughter to Göran Göthager the CEO are getting more involved in the company by creating a sales and marketing department.

#### **4.4.3 External factors influencing the De-internationalisation**

Even though internal improvements and changes are important contributors to the decision to de internationalise production external factors also weigh in. Different things in the company’s surrounding environment influence them to rethink their strategy of having production abroad. *“You should listen to the signals you receive, there are daily dialogues from people who ask for products made in Sweden and from production more close by. Then in reality we will have to see if it is just talk or...”* (Mossberg). Local production is increasing

in popularity as Göran points out and these kind of external requests can have influenced the company to move back their production. Alongside with the increased popularity of local made products people are more focused on corporate social responsibility and the ecological footprint they leave behind, this is influencing the companies. The increased awareness of the effects the company have on the environment is contributing to the decision is de-internationalise. As quoted above “*There are several reasons for it /.../ shorter lead times /.../ environmental aspects such as fewer transports to and from Estonia*” (TEKO). Fewer transports will not only decrease transport time and make them cheaper by not having to ship things back and forth to Estonia, but it will also be better for the environment.



## 5. Analysis

### 5.1 Reasons for internationalisation

**Table 1.** Reasons for internationalisation

<b>Company</b>	<b>Reasons for internationalisation</b>
<b>Danfoss</b>	Cheaper Production Costs
<b>Hasselblad</b>	Competence Seeking
<b>Esska</b>	Rationalise Production
<b>Ivanhoe</b>	Competence Seeking

The analysis will be based on Figure 4, the adapted theory model of de-internationalisation of manufacturing production. The first box is “Reasons to Internationalise” and therefore the analysis starts from the reasons why the firms decided to move. The box is based on the OLI variables in the Eclectic Paradigm and Dunning’s four identified motives behind internationalisation; market seeking, resource seeking, strategic asset seeking and rationalize or efficiency seeking (Dunning 1977). This is made in order to understand why the companies later take back their production. In Table 1 the reasons are summed up and presented and the empirical findings show that Hasselblad, Esska and Ivanhoe decided to move out production to rationalize it and also for competence seeking. However, Danfoss showed an exception and does not follow the four OLI motives since their motives were to move production to gain cheaper labour force in Poland. The main O advantages that existed in their move of production was to keep the competence in-house and the control over the whole production chain and this in turn is connected to the I advantages. Three of the companies choose to open own subsidiaries because of this, but Esska choose to hire a subcontractor because they did not have strong enough O advantages. The L factor represents the location advantages that varied from cheaper labour force to more competence and available capacity in the foreign market. All of these factors contributed to the decision that is made in the second box in Figure 4.

## 5.2 Internal and External factors influencing the De-internationalisation

**Table 2.** Internal & External factors influencing the De-internationalisation

Company	Internal factors	External factors
<b>Danfoss</b>	Control Capacity Productivity	Politics Home Network
<b>Hasselblad</b>	Knowledge Control Management	Cluster Culture Home Network
<b>Esska</b>	Control Quality Capacity	Lead times Home Network
<b>Ivanhoe</b>	Control Knowledge Management	Environment Demand Home Network

There are external and internal changes in a company that cause the firm to re-evaluate the decision of internationalisation. A new strategy is made based on these changes and one will either maintain the current operation or de-internationalise (Benito and Welch 1997). Table 2 represent the empirical findings divided into the most dominant external and internal factors influencing each company, which is represented in the third box in the adapted model “internal and external change”. The internal reasons showed some consistency between the companies whereas control was the main reason for Danfoss, Esska and Ivanhoe, although it was the second most important for Hasselblad. Capacity was an important factor for both Danfoss and Esska whereas knowledge and shift in management was important for Ivanhoe and Hasselblad. Productivity was a unique factor for Danfoss while quality was unique for Esska. The reasons to why there is a consistency in some internal factors, especially control, between the companies can be because it is not a factor which dependency is built upon on a companies size, core market, degree of internationalisation or industry. This factor can be an advantage every firm needs to have in order to be successful. Therefore, the empirical findings identify them in all four case companies even though they are from different industries and in different levels of internationalisation. The other internal factors, which are company unique, such as production or quality, can be those which dependency is built upon

the above-mentioned factors such as firm size, core market, degree of internationalisation or industry.

The internal factors in the box can be analysed from the reversed OLI variables, when the OLI advantages (Dunning 1977) has changed to be applied on the home market instead. In the case of Esska the owner specific advantages such as market share has grown, this leads to increased incentives to have the production internalised. Ivanhoe, Danfoss and Hasselblad's increased owner specific advantages was the gained competency in their field of production. The location advantages have grown for all companies in several aspects, production is more automated making the labour costs less important part of the whole production cost. The higher degree of automation also increases the capacity and productivity in the Swedish factories making it more favourable to localise produce there. A general reason to why the case companies choose to move back production can be, the above mentioned, shift in the OLI variables. They have gone from being less favourable on the home market to, in different ways, more favourable which may lead to a growing responsiveness to different internal and external factors, leading up to a decision to de-internationalise.

The external factors influencing the decision to de-internationalise of production were not as many as the internal ones and are shown in Table 2. For Danfoss the political motives had an impact on whether or not to actually take production back home, since Danfoss had tax benefits in Poland and not in Sweden. Hasselblad had some problems with the cultural differences in Denmark and the lack of cluster in Copenhagen affected the decision to move production back to Gothenburg that had competent labour and networks of companies. In Esska's case the long lead times was a motive to move back since the firm wanted to be closer to the customers. Ivanhoe on the other hand, thought about all the shipping that affected the environment badly, but also the growing demand on the home market. The companies have all different external reasons whereas all the internal reasons are more consistent. A reason to why the external reasons differ so much can be because there is not a strong, general external factor influencing each company independent of their industry, core market, size or level of internationalisation. External factors might be of a more varying kind, changing dependent on where the company is in their development and on which market they operate in. It is hard to draw a general conclusion in external factors since every market and industry has a unique environment.

### 5.3 Networks, Gradual process and Psychological Distance

In figure 4, the boxes of network and psychological distance are both external factors that affect the decision to de-internationalise production. Both these factors originate from the Uppsala Model, which emphasises on the external factors of psychic distance, networks and the gradual process of internationalisation (Johnson & Vahlne 1977). The empirical results showed that when doing the de-internationalisation there is no evidence of a gradual process; instead all companies choose to take home production at once. The reason why firms do not show a gradual process and move the production step by step could be that all the companies already had networks in the form of factories on the home market. There was therefore no need to move slowly, instead the firms moved all at once perhaps to keep the efficiency and not lose a day where production stands still.

Therefore, the Uppsala Model's assumptions of a gradual process are not accurate when applying it on the reversed process of internationalisation. However, the decision process was recognized to take long time when doing a de-internationalisation and required planning and evidence to prove that the decision to move home production would be profitable. Since the planning and decision process of de-internationalisation is time consuming it can be compared to the gradual process, but is implemented in an earlier stage than the start of the gradual process of internationalisation. One may wonder why it takes such a long time for the decision to be made, which in Danfoss case took two years. Perhaps it is due to the fact that it is not yet very common to de-internationalise among firms, and therefore the requirement of good evidence is relevant to be very precise in order to succeed.

Furthermore, the empirical findings showed that the psychological distance does not affect the company when internationalization is reversed, since it does not exist when being at the home market. The firm already has a great knowledge of the home market and therefore the outcome of the investment will most likely be successful. Considering the network, it was possible to identify a consistent pattern that home network is of high importance for the companies when going through a partial de-internationalisation. All four companies had left some production on the home market in Sweden and therefore they already had a network to come back to when returning home. Without a network it is hard to know whether it would have been a successful move or if it would have been more difficult, but with regard to the empirical results it would probably had been harder. Since the psychological distance did not

affect the companies when taking back production it is not to be said that other hindrances such as change in the business practice could have affected the firms. However, in the case of these four companies all of them already had a very well established home network so they knew the home market very well already.

## **5.4 Commitment and Strategy Change**

The decisions to de-internationalise are affected by the commitment to the market, which is represented in the box “Commitment” in Figure 4 and originates from Benito and Welch Model B (1997). Putting the empirical data in regard to the model it is evident that they correspond to each other: The external factors influencing the decision to de-internationalise varies with the different stages in the internationalisation process the companies were at the time. The more commitment to the market the companies (such as Danfoss) had the more external reasons were on country level such as trade unions and political factors. The less involved companies (such as Ivanhoe and Esska) external reasons were of a more shallow nature for example transport costs and time. The most global operator Hasselblad had intermediate problems such as different cultures and moving personnel. Why the level of commitment and where in the internationalisation process affect the structure of the external reasons can be traced back to the professional relationships a company creates with external partners, governments or societies and how they evolve in different stages (Ibid). The deeper level of commitment to a market the greater is the creation of a co-dependency between company and external partners, government or society. In early stages of internationalisation the co-dependency is not so evolved because it is new and the relationship is on its way to enact, in late stages of internationalisation the co-dependency is not strong either because the company is not so dependent on each foreign unit, caused by the companies diversity on different markets. Companies between early and late stages of internationalisation have created strong professional relationships and have a strong co dependency with the external environment, which causes the companies in this level of internationalisation to have the most national-based and less shallow external factors such as those of governmental and political characters influencing the decision.

Benito and Welch model C says that a change in strategy that will lead to a decision to de-internationalise, is caused by a change in management (ibid.). In the empirical findings both

Ivanhoe and Hasselblad of the companies experienced this shift while the Esska and Danfoss did not. Therefore, it cannot be concluded neither excluded that it is a contributing factor to the decision to de-internationalise.

## **5.5 Comparison of motives of internationalisation and factors influencing De-internationalisation**

Looking at the motives the companies had to move out and how they correspond to the factors influencing the decision to move back it is possible to distinguish between when the prerequisites to move out were fulfilled and when they were not. Another possible outcome is when the prerequisites kept their fulfilment but other circumstances affected the decision for e.g. new possibilities on the home market. Danfoss motive to move to Poland was because of the low cost production possibilities there. However, when the cost equation changed, due to adjustments against lean production making the production cheaper in Sweden, it influenced them to move back. Due to the new situation on the home market the prerequisites of first moving out ceased to be fulfilled. In Ivanhoe's and Esskas case the motive to move out was due to capacity and competence seeking. These requirements still remain fulfilled on the foreign market, but when demand grew on the home market both companies saw the advantages of being close to the customers and had by then gained capacity they needed to be able to move home. Hasselblad on the other hand had competence seeking as a motive when they moved out the production, but after time when they themselves gained the knowledge they needed, their dependency on the foreign production discontinued. Also in this case the prerequisites were still fulfilled but themselves had also gained these prerequisites first enticing them to expand production abroad. In the empirical results none of the companies experienced a disappointment in the foreign market caused by unfulfilled assumptions in the beginning, however this might be applicable for other firms. The results show that factors influencing a firm to de-internationalise and unfulfilled or fulfilled prerequisites to move out does not correlate, independent on the outcome of the move firms choose to move back. This can be because the firm itself changes their approach to production. Factors previously being important cease to matter and other, new factors accessible on the home market, increase in significance. Another reason to why can be because the firm itself gets the knowledge or prerequisite it moved out to gain in the first place.

The previously identified common denominators to why firms move back production has as said before been the ones of rising production cost abroad versus more automation at home, quality problems, cultural differences, higher shipping costs, longer lead times and growing demand for Swedish-produced products. In the empirical findings some common denominators has been found such as quality problems, shipping cost, lead times, cultural differences and growing demand for Swedish produced products. However, all the firms showed more external reasons than the previous mentioned studies such as home networks, clustering, environment and growing lead times. The empirical data also isolated some internal factors such as change in management, increased knowledge and control. None of the companies had a motive to move back due to rising production costs abroad.

## **6. Conclusions**

### **6.1 Empirical Contributions**

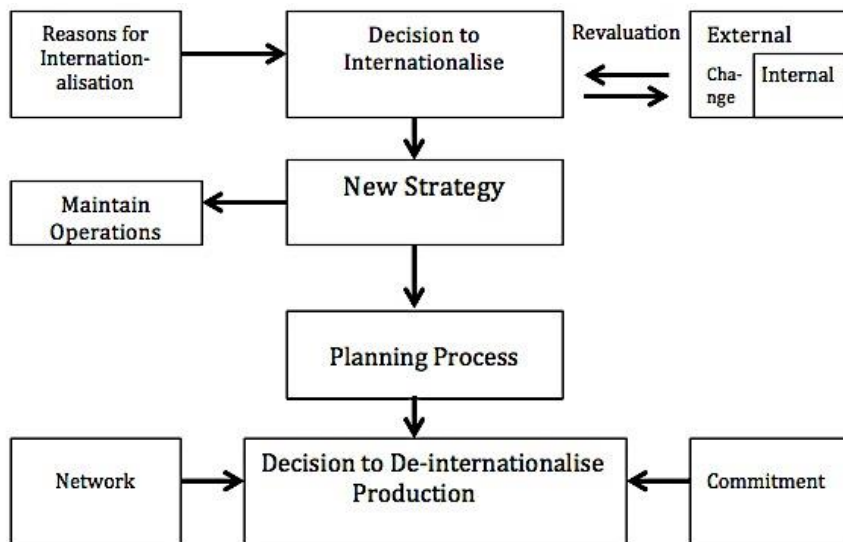
The purpose of this thesis was to study how firms go through de-internationalisation of production and the factors that leads up to the decision. The findings show that companies choose to de-internationalise from both internal and external reasons such as control, capacity, productivity, knowledge, management, quality, politics, cluster, culture, lead times, environment, demand, home network. Out of these findings it is possible to highlight some specific factors that was not identified in previous research such as environment, clusters, home network, knowledge and management. The findings show that the newly found factors were mostly external where three factors were identified. One of the most dominant external factors was the importance of a home network, which all the four companies possessed. The home network had a great impact on the de-internationalisation process since it facilitated a faster and smoother relocation. The network also made it possible for the companies to de-internationalise all the production at once since they had something to come back to. Absence of these networks would have obstructed the process considering start up costs, hard to access knowledge of the market, competition and available competence. Even though the new factors isolated were mostly external the empirical findings indicate that internal factors are the most predominant when coming to the decision to de-internationalise. This conclusion is based on the fact that all the four companies showed to some degree the same characteristics when coming to internal factors and that the internal factors were of a greater significance according to the firms themselves. The external reasons could not by themselves countervail as a reason to move, since internal changes had to occur as well. Even though all companies had a combination of internal and external factors contribution to the decision, the primal contributor was internal and the external a smaller part.

Another great influence is the changed view on the possibilities on the foreign markets, from previously prioritising advantages such as low wages and large capacity companies has refocused their attention and tend to look for other things even though the earlier advantages still exists. The empirical results shows that the most important factor, for all four companies, was the new prioritization of having control of the whole production chain. To achieve this it is easier to have all the production under the same roof. The firms start to value the advantages that this increased control gives such as quality assurance, flexibility, lower transport costs, economies of scale and shorter lead times.



## 6.2 Theoretical contributions

In previous research it has been suggested that internationalisation models can be applied in the study of de-internationalisation looking at it from a reversed perspective. However, when comparing the empirical results to the reversed theories it was found that the Uppsala Model could not fully be applied and needed some adjustments. The psychic distance is something that can be excluded since there is a very small or non-existent psychic distance when moving back to a home market. The gradual process is also not apparent when companies de-internationalise and the empirical results show that production is taken back in one swift move. Therefore, the planning and timing factors could be a replacement to the gradual process and psychic distance factor in the reversed Uppsala model. Benito and Welch model C claims that in order to decide to de-internationalise some of these situations has to occur: pressure from current operations, past experiences in the field of de-internationalisation, change in strategy or change in the top management. The empirical findings did not support the claims of past experience or pressure from current operations but they did mention the other claims change in strategy and change in management. The conducted study can add one more important factor, which is internal change (not being management or strategy) such as increased competence and knowledge. Considering these findings it is to be suggested that the Benito and Welch model from 1997 needs to be updated to be applicable in today's changing economy. The Eclectic Paradigm by Dunning (1977) was applied in reverse and was found pertinent in that way as well. The previously introduced conceptual framework (figure four) including the reversed Uppsala Model, the Eclectic Paradigm and Benito and Welch model was adjusted to include the suggested changes in those theories drawn from the empirical results. This new adapted framework is an attempt to summarize our theoretical contributions and will serve as a updated version to be applied when studying the field of de-internationalisation in the future and is a contribution to the theoretical field.



**Figure 5.** Adjusted De-internationalisation Model of Production.  
 Source: Adapted Model from Dunning (1977), Johnson & Vahlne (1977) and Benito & Welch (1997).

## 6.2 Future research

In this thesis medium-sized Swedish companies are studied in different stages of internationalisation. Since the number of companies that have gone through de-internationalisation of production is limited, the study was conducted on four companies. For future research it would therefore be interesting to conduct a study of a more quantitative character with more companies to provide a wider base to draw conclusions from. This approach would make it more evident which are common denominators and to isolate unique ones for each company, this would also provide more accurate conclusions.

Also, the suggestion to study the de-internationalisation from theories explaining the internationalisation process of firms may have proven in this study to not be as fully applicable as first assumed. It could have to do with the fact that only partial de-internationalisation was studied and therefore some parts of the theories did not always function. For future research it would be interesting to see if perhaps other internationalisation theories could function better such as Vernons Product Life Cycle or Porters five forces. Another suggestion would be to try to further develop the Benito & Welchs conceptual framework or the conceptual de-internationalisation model of production used in this thesis derived from all the theories used.

Since the research companies were in different stages of internationalisation, it would be intriguing to further deepen the study and focus on companies in the same stage to perform a less general study. It would be interesting in future studies to focus on something else than

production such as de-internationalisation of a whole market, operational de-internationalisation or service. Another suggestion is to study the involuntary parts of de-internationalisation since these withdrawals often are more affected by external changes or miscalculations.

### **6.3 Managerial Application**

Since there is a lack of information about de-internationalisation it is of high importance to make the industry more aware of this shift. The conducted research and found conclusions aims therefore to contribute to an improved understanding of the driving forces behind de-internationalisation and provide a stronger knowledge base for firms potentially planning to do this. The belief is that the statement “Made in Sweden -again” will be true for more firms and that this thesis will be to some help for them.

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## Appendix 1.

### Interview Questions

1. Vilken är Er största försäljnings marknad?
2. Hur gick det till när ni expanderade/flyttade produktion till Land X, Någon speciell strategi?
3. Vilken typ av etableringsform använde ni?
4. Vilka motiv hade ni att flytta produktionen till utlandet, vilka var förväntningar på den nya marknaden?
5. Blev dessa uppfyllda ja/nej
6. Var ni med i något nätverk eller hade kontakter innan ni gick in Land X? Underlättade det isåfall?
7. Har ni tidigare varit involverade i internationell produktion, till vilken grad?
8. Har ni stött på svårigheter/hinder vid den utländska produktionen eller flytten?
9. Berätta varför ni valde att flytta hem produktionen? Vilka motiv fanns det? ändrad strategi?
10. Har det något att göra med ouppfyllda förväntingar?
11. Skedde det några förändringar inom företaget som kunde påverka valet att flytta hem? ledning osv
12. Vilka var förväntingarna inför hemflyttandet?
13. Vilka steg tog ni vid hemflyttandet? Var det gradvis eller allt på en gång?
14. Stötte ni på hinder vid hemflyttandet?
15. Hade ni något nätverk i Sverige att gå tillbaka till vid hemflyttandet?
16. Hur ser ni på framtiden? Tror ni att ni kommer flytta hem fler ?
17. Tror ni att ni kanske kommer flytta till LAND X igen?

